

VZCZCXRO0383
PP RUEHIK
DE RUEHAH #0135/01 0281323
ZNR UUUUU ZZH
P 281323Z JAN 10
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 4146
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 6182
RUEHBJ/AMEMBASSY BEIJING 3865
RUEHKO/AMEMBASSY TOKYO 3724
RUEHIT/AMCONSUL ISTANBUL 4426
RHEHNSC/NSC WASHDC
RHMCSUU/CDR USCENCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUEHVEN/USMISSION USOSCE 4349
RUCNDT/USMISSION USUN NEW YORK 1451
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 ASHGABAT 000135

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EEB
COMMERCE FOR DSTARKS/EHOUSE

E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [EIND](#) [PGOV](#) [TX](#)
SUBJECT: TURKMENISTAN: MINISTRY OF TEXTILES FOCUSED ON
BOLSTERING FOREIGN SALES

ASHGABAT 00000135 001.2 OF 002

¶1. (SBU) Sukhanmurad Shaherov, Deputy Minister of Textile Industry, met with Poloff on January 26 to give an overview of Turkmenistan's textile production. He emphasized that the Turkmen Government is attempting to use a greater percentage of the cotton grown in the country in finished products, because selling finished products is more profitable than selling the raw cotton. Currently, approximately 40 percent of domestically-produced cotton fiber is made into textiles (120,000 tons of the total 300,000 tons), but the Textile Ministry has plans to increase that amount to about 55 percent in the next year. The ministry opened a new cotton spinning factory in Turkmenabat in October 2009, and plans to open two more in Goek Depe and Dashoguz this spring. In June, the Ministry plans to open a factory in the Ruhabat district of Ahal province that will produce textiles from a mixture of cotton and synthetic inputs. This would be the first of its kind in Turkmenistan. All of the current factories produce 100 percent cotton products.

¶2. (SBU) Shaherov said the Turkmen Government aims to sell its products directly to foreign markets, instead of working through middleman companies as it has in the past. Of the 67 textile factories in Turkmenistan, 25 are joint ventures, mostly with Turkish companies. The Central Bank of Turkmenistan is the sole financier of the new factories. The Turkmen Government has accepted grants and credits for equipping new factories, but they are no longer entering into joint ventures. Shaherov mentioned that a Chinese company provided a 40 million yuan (USD six million) grant for equipment in a velvet factory. He also noted that Turkmenistan is buying equipment from European companies, and some European companies opened a service center in Ashgabat last year. Shaherov described these investments as an effort to increase the quality of the finished garments that Turkmen factories produce.

¶3. (SBU) The next step, according to the Deputy Minister, is marketing. He admitted that Turkmenistan is weak in that field now, but realizes that this is key to selling finished products directly to European or other markets. Currently, Russia and Turkey are the largest customers for Turkmen-produced bedding, towels, and T-shirts. However, big U.S. companies buy jeans from Turkmenistan. Shaherov said that 75 percent of the finished textiles are exported, and that in 2009 the turnover was \$280 million. The financial crisis hurt Turkmenistan's sales last year, but they hope for a better year this year. Shaherov mentioned that the Textile Ministry is trying to do more marketing online.

¶4. (SBU) The textile industry, according to Shaherov, is the second most important industry in Turkmenistan after the energy sector. It employs 28,000 workers, which is more than any other industry. Shaherov said the goal he had mentioned to sell more finished products directly to foreign markets was laid out in presidential decrees. As such, the new Minister, who was named on January 15, would not be in a position to change them. However, he thought that because the new minister is a woman, she might put more emphasis on the Fashion House, which currently designs and produces only a very small percentage of Turkmenistan's total textile production.

¶5. (SBU) COMMENT: Shaherov seemed to understand the need to market products, and that focusing on quality, as well as packaging, was important to improve sales. He is an alumni of an International Monetary Fund program, and that trip to the United States made an impression on him. However, the push for Turkmenistan to produce more finished products and get rid of middleman companies may have a nationalist, as

ASHGABAT 00000135 002.2 OF 002

well as economic, basis. Shaherov gave the impression that Turkmenistan did not want to be known only as a raw material producer, as it was in the Soviet era when only three percent of its cotton was turned into finished products in country. If Turkmenistan wants to be truly competitive in the world market for textile products, it will need to improve the quality and range of its products beyond T-shirts and jeans.
END COMMENT.
CURRAN